

**East Side Home Improvement Revolving Loan Fund  
CIB Residential and Economic Task Force Presentation**

**March 3, 2011**

**Dayton's Bluff  
Neighborhood  
Housing  
Services**



**East Side Home Improvement  
Revolving Loan Fund  
Request Summary**

|                         |                    |
|-------------------------|--------------------|
| <b>CIB/CDBG Request</b> | <b>\$1,000,000</b> |
| FY 2012                 | \$500,000          |
| FY 2013                 | \$500,000          |

**Target Geographic Area**

Planning District 4 Dayton's Bluff  
Planning District 5 Payne Phalen

**Target Households**

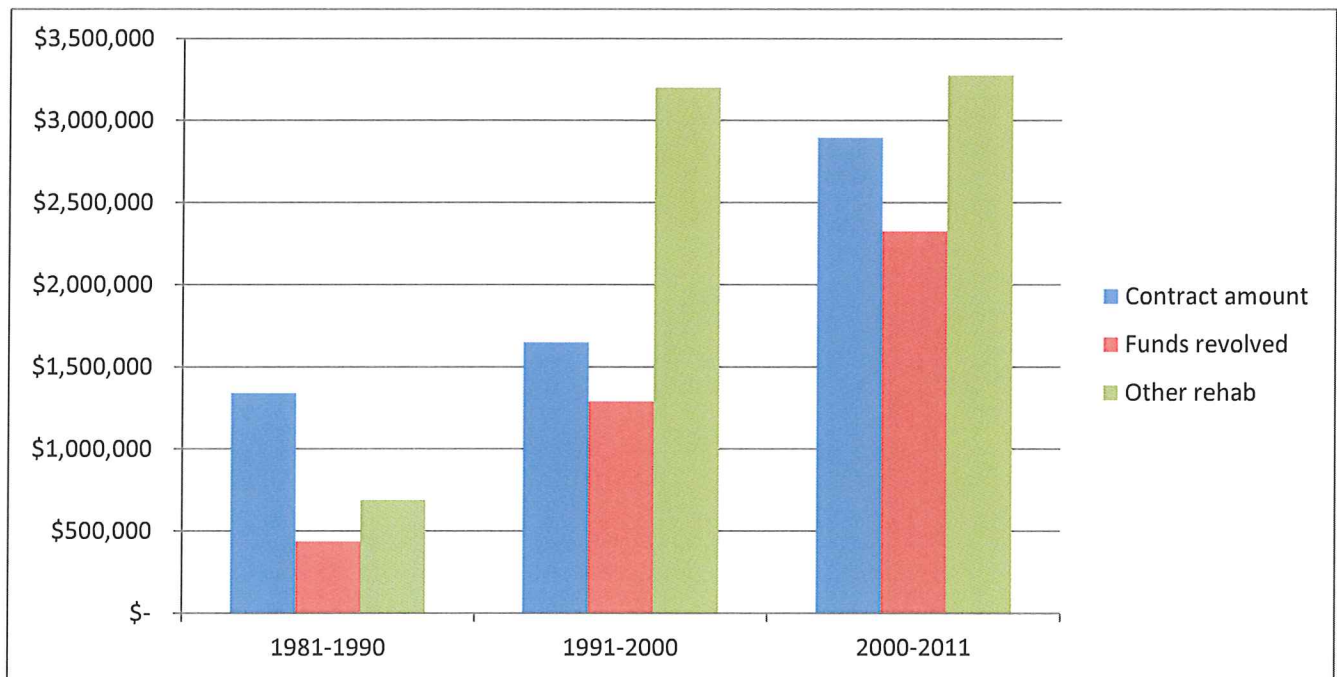
Owner-occupied 1-4 unit properties with household incomes at or below  
80% of the Twin Cities AMI

**Total Housing Unites to be Improved**

40 including 5 vacants

**RLF CONTRACT HISTORY**  
**1981-2010 (Dayton's Bluff and Payne Phalen Neighborhoods)**  
**748 Households**

|              | Households | Contract amount        | Funds revolved      | Total RLF           | Other rehab            |
|--------------|------------|------------------------|---------------------|---------------------|------------------------|
| 1981-1990    | 258        | \$ 1,340,000.00        | \$ 436,865          | \$ 1,777,123        | \$ 689,371.00          |
| 1991-2000    | 260        | \$ 1,650,000.00        | \$ 1,288,723        | \$ 2,938,983        | \$ 3,201,723.00        |
| 2000-2011    | 230        | \$ 2,895,176.00        | \$ 2,324,957        | \$ 5,220,363        | \$ 3,275,650.00        |
| <b>TOTAL</b> | <b>748</b> | <b>\$ 5,885,176.00</b> | <b>\$ 4,050,545</b> | <b>\$ 9,936,469</b> | <b>\$ 7,166,744.00</b> |



## Dayton's Bluff Payne-Phalen Community Profiles

### American Community Survey 2009 Estimates

|                 | <u>Dayton's Bluff</u> | <u>Payne-Phalen</u> |
|-----------------|-----------------------|---------------------|
| Total           | 21,063                | 21,421              |
| White           | 46.4%                 | 40.9%               |
| Black           | 19.8%                 | 16.1%               |
| American Indian | 3.1%                  | 0.8%                |
| Asian           | 23.1%                 | 32.3%               |
| Other           | 3.4%                  | 5.4%                |
| 2 or more races | 4.2%                  | 4.6%                |

#### Housing Units

|   | <u>Dayton's Bluff</u> |       | <u>Payne-Phalen</u> |       |
|---|-----------------------|-------|---------------------|-------|
| Total Number of Occupied Housing Units    | 6,886                 | 88.2% | 6,852               | 88.0% |
| Number of Owner Occupied Units            | 3,364                 | 48.9% | 3,523               | 51.4% |
| Number of Renter Occupied Units           | 3,522                 | 51.2% | 3,329               | 48.5% |
| Housing Units Built 1939 or Earlier       | 3,423                 | 49.7% | 3,366               | 49.1% |
| Owner Occupied Units Built Prior to 1939  | 2,323                 | 69.1% | 1,996               | 56.7% |
| Renter Occupied Units Built Prior to 1939 | 1,100                 | 31.2% | 1,370               | 41.2% |

#### Owner Occupied by Race

|                 | <u>Dayton's Bluff</u> | <u>Payne-Phalen</u> |
|-----------------|-----------------------|---------------------|
| White           | 78.5%                 | 69.0%               |
| Black           | 5.7%                  | 9.8%                |
| American Indian | 1.1%                  | 0.5%                |
| Asian           | 9.5%                  | 15.9%               |
| Other           | 2.9%                  | 3.4%                |
| 2 or more races | 2.3%                  | 1.3%                |

#### Housing Type

|   | <u>Dayton's Bluff</u> | <u>Payne-Phalen</u> |
|---|-----------------------|---------------------|
| Average Number of Person per Household        | 3.06                  | 3.13                |
| Percentage of Households with Children        | 43.3%                 | 40.4%               |
| Percentage of Female Headed Family Households | 9.7%                  | 37.1%               |
| Percentage of Household Age 65+               | 15.3%                 | 13.8%               |

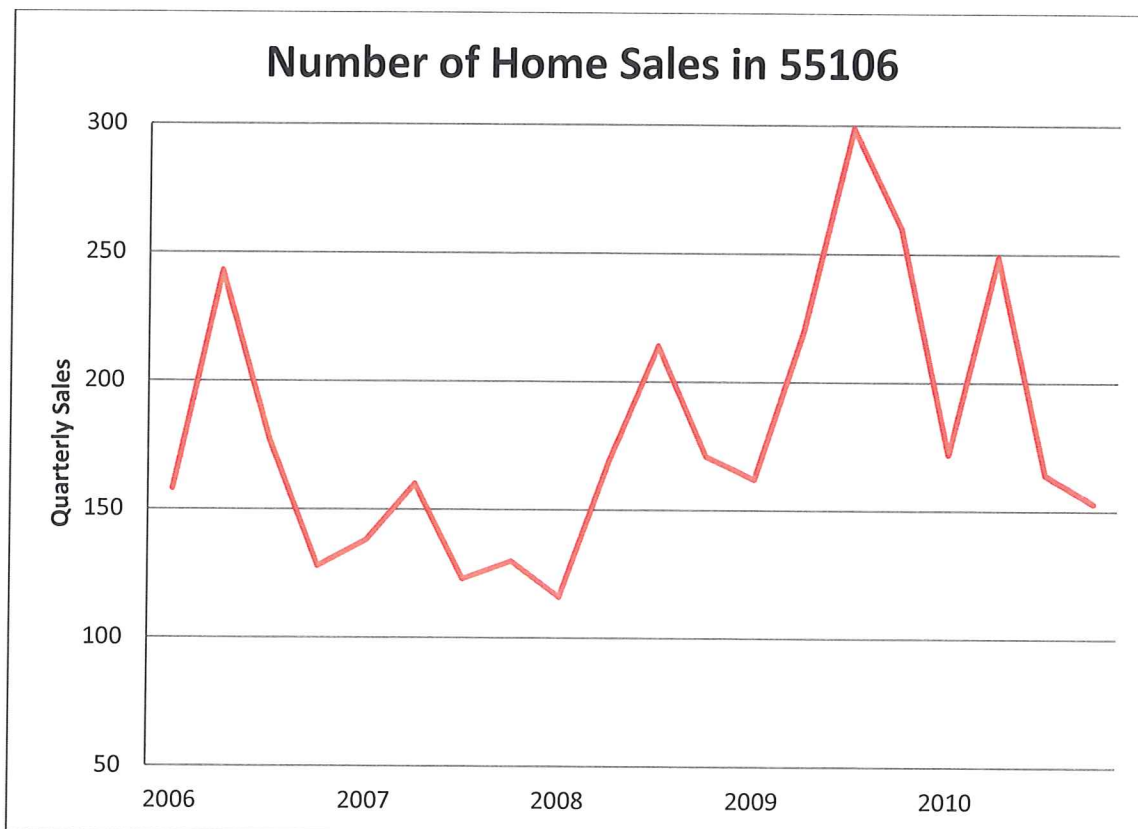
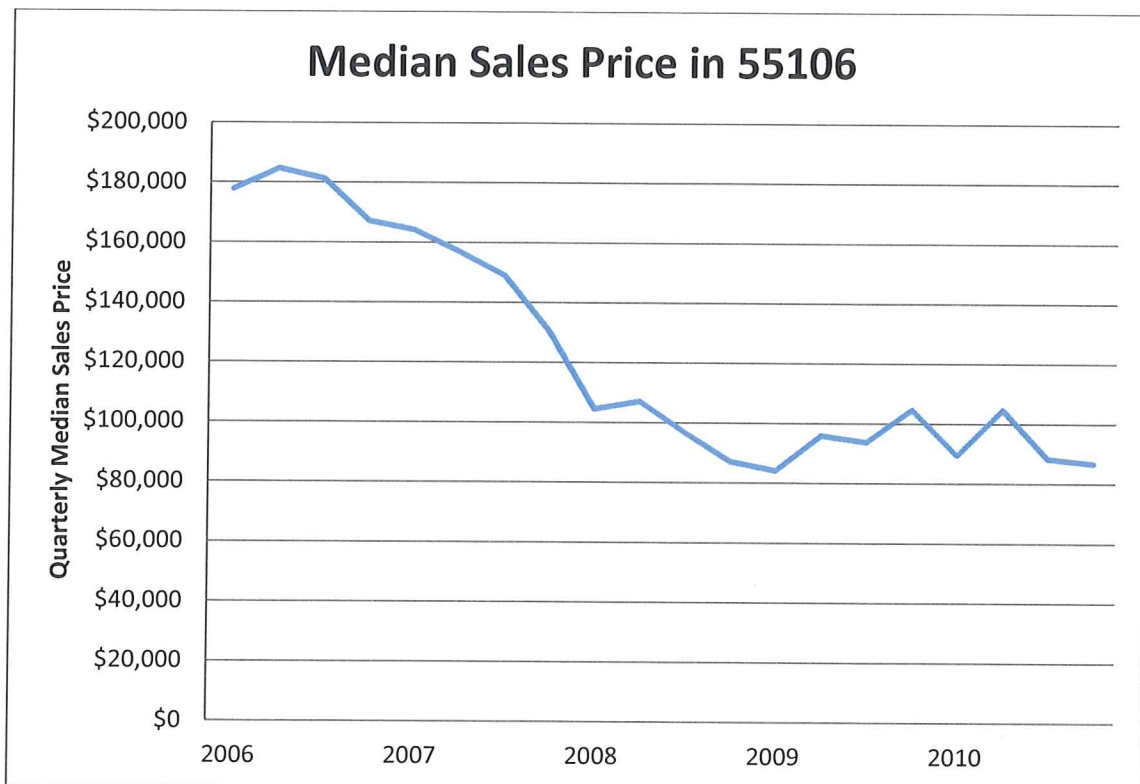
#### Income Profile

##### Dayton's Bluff, 2000

| Primary Service Area<br>Census Tracts | Percentage of Households with<br>low/moderate incomes |
|---------------------------------------|---|
| 317                                   | 75.5%   |
| 331                                   | 74.1%   |
| 344                                   | 69.5%   |
| 345                                   | 63.6%   |
| 346.01                                | 55.4%   |

##### Payne Phalen, 2000

| Primary Service Area<br>Census Tracts | Percentage of Households with<br>low/moderate incomes |
|---------------------------------------|---|
| 306.1                                 | 65.4%   |
| 309                                   | 69.1%   |
| 310                                   | 70.8%   |
| 315                                   | 81.7%   |
| 316                                   | 76.6%   |
| 330                                   | 69.5%   |



## **EAST SIDE REVOLVING LOAN FUND FY 2012-2013 CIB Proposal**

### **Key Program Components**

**Loan Services:** All of our RLF loans are made to low and moderate-income households (\$64,400 or less for a family of four). In most instances our borrowers are unable to obtain private market financing, at a reasonable interest rate, for one or more of the following reasons: low income, unstable credit history, high debt, lack of equity, or the customer is purchasing property on a contract-for-deed.

**Types of Rehab Work:** The basic rehabilitation of the East Side's older housing stock is the RLF's primary emphasis. Correction of health and safety deficiencies, including lead hazard reduction, is the first priority, in combination with structural, mechanical and energy conservation improvements. By packaging RLF loans with incentive funds from other sources, in targeted areas, we also encourage homeowners to undertake exterior improvements that have a visual impact, thus encouraging a spinoff of further reinvestment in the neighborhoods. All of our customers are assisted by our construction staff. Services provided include identification of rehab needs, lead paint risk assessments, preparation of scopes of work, assistance with bidding, project management, oversight of work in progress, construction escrow management, and lead paint clearance examinations.

**Flexible Loan Products:** Loan amounts, interest rates, and the length of term are set by our Loan Committee according to the ability of the customer to pay. Where possible, RLF loans are packaged with other funding sources to maximize the benefit to the customers, while leveraging the RLF funds to increase their overall impact. For example, we often combine RLF loans in conjunction with loans from the Minnesota Housing Finance Agency's Rehabilitation Loan Program. While loan packaging of this type is very staff time intensive, it is essential if the housing stock of our East Side neighborhoods is to be improved.

**Leveraging of Other Funds:** Other resources are actively sought and used in order to conserve and stretch RLF funds to the maximum. Yearly contributions are procured from the private sector to support some of our administrative expenses. Program funding from other sources, such as NeighborWorks® America, the Minnesota Housing Finance Agency, and others, is actively sought to target specific neighborhood sub-areas.

**Delinquency Rates Since 1981:** Although many of our RLF loans might be considered high risk by conventional standards, and our delinquency rate is higher than conventional portfolios, up until the last two years, DBNHS had not charged off a loan in nearly a decade. In the last two years, as the housing market collapsed, we have had to charge off three loans, for a total of \$60,239.

All of DBNHS' loans are serviced by the Community Reinvestment Fund (CRF) in Minneapolis. When problems arise, DBNHS' Housing Program Coordinator works with the CRF staff, and other customers, to provide personal service that helps prevent and cure delinquencies.



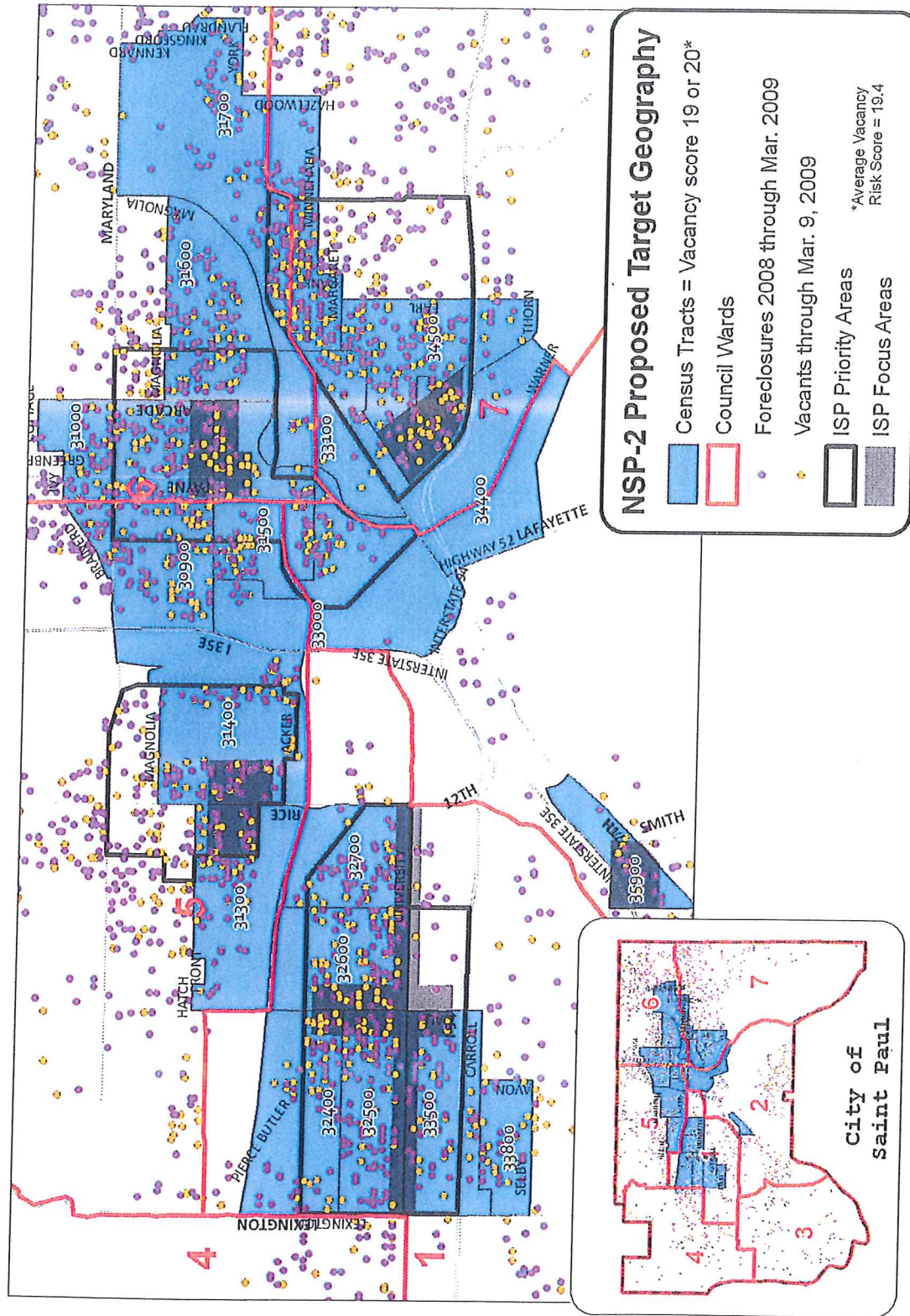


Figure 3: Vacant and Foreclosed Homes in Target Geography

**Economic Effects of Dayton's Bluff Neighborhood Housing Services**  
**Total Investment in all Construction Work 2005-2009**

|  |       |           |            |
|--|-------|-----------|------------|
| <b>Total investment in construction</b>                                |       | \$        | 14,073,621 |
| <b>Gross revenue from sale of new construction</b>                     |       | \$        | 8,860,469  |
| <b>Changes to neighborhood infrastructure</b>                          |       |           | 142        |
| Homes with improved physical exterior/interiors                        |       |           | 96         |
| Vacant/abandoned lots eliminated                                       |       |           | 46         |
| Total family income, lots formerly vacant/abandoned                    |       | \$        | 2,448,718  |
| <b>Jobs created</b>  |       |           | 245.8      |
| For construction   | 209.7 |           |            |
| From ongoing economic activity   | 36.1  |           |            |
| <b>One-time economic benefits</b>                                      |       | \$        | 11,224,640 |
| <i>Benefits to local businesses</i>                                    |       |           |            |
| Increased wages/salaries from construction                             | \$    | 7,743,635 |            |
| Business income from construction                                      | \$    | 1,616,839 |            |
| Spending by families moving in to new construction                     | \$    | 1,243,932 |            |
| <i>Benefits to local real estate and financial businesses</i>          |       |           |            |
| Title insurance  | \$    | 44,303    |            |
| Transaction fees and commissions                                       | \$    | 531,628   |            |
| Other transaction costs  | \$    | 44,303    |            |
| <b>Ongoing economic benefits</b>                                       |       | \$        | 5,247,322  |
| Interest income to lenders   | \$    | 3,703,417 |            |
| Business income from families occupying formerly vacant/abandoned lots | \$    | 1,543,905 |            |
| <b>Public tax revenue</b>  |       | \$        | 1,964,647  |
| Taxes and fees from construction                                       | \$    | 1,107,165 |            |
| Taxes and fees from property transfer                                  | \$    | 418,819   |            |
| Annual local government tax revenue (ongoing)                          | \$    | 438,663   |            |

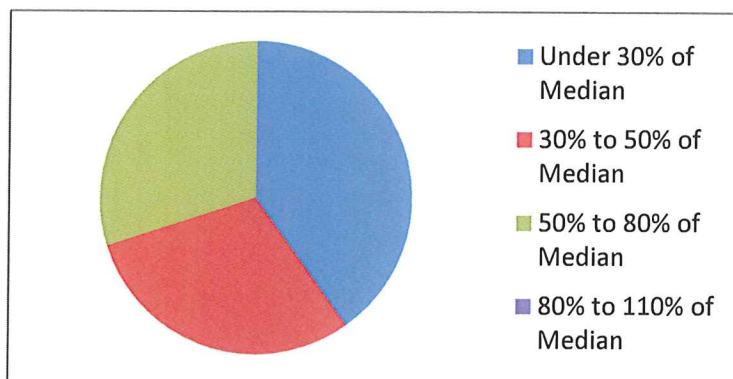


## Economic effects of Dayton's Bluff Neighborhood Housing Services Investment in Rehab Loans

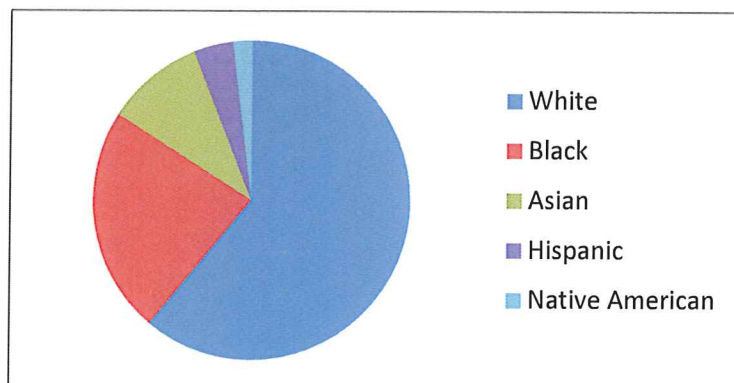
|  |      |           |           |
|--|------|-----------|-----------|
| <b>Total investment in construction</b>            |      | \$        | 3,534,515 |
| <b>Changes to neighborhood infrastructure</b>      |      |           |           |
| Homes with improved physical exterior/interiors    |      |           | 96        |
| <b>Jobs created</b>                                |      |           | 52.6      |
| For construction                                   | 52.6 |           |           |
| <b>One-time economic benefits</b>                  |      | \$        | 2,427,462 |
| <i>Benefits to local businesses</i>                |      |           |           |
| Increased wages/salaries from construction         | \$   | 1,818,771 |           |
| Business income from construction                  | \$   | 331,389   |           |
| Spending by families moving in to new construction | \$   | 277,302   |           |
| <b>Ongoing economic benefits</b>                   |      | \$        | 1,116,400 |
| Interest income to lenders                         | \$   | 1,116,400 |           |
| <b>Public tax revenue</b>                          |      | \$        | 503,855   |
| Taxes and fees from construction                   | \$   | 282,572   |           |
| Taxes and fees from property transfer              | \$   | 221,283   |           |

**HOUSES REHABILITATED WITH FINANCING PROVIDED BY DBNHS  
2006-2010 (Dayton's Bluff and Payne Phalen Neighborhoods)  
96 Households**

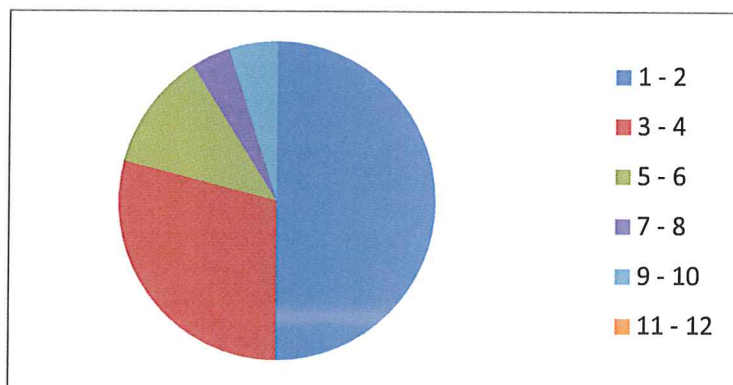
| <b>INCOME LEVEL</b>    |           |             |
|------------------------|-----------|-------------|
|                        | Units     | %           |
| 30% or less of Median  | 38        | 40%         |
| >30% to 50% of Median  | 29        | 30%         |
| >50% to 80% of Median  | 29        | 30%         |
| >80% to 110% of Median | 0         | 0%          |
| <b>TOTAL</b>           | <b>96</b> | <b>100%</b> |



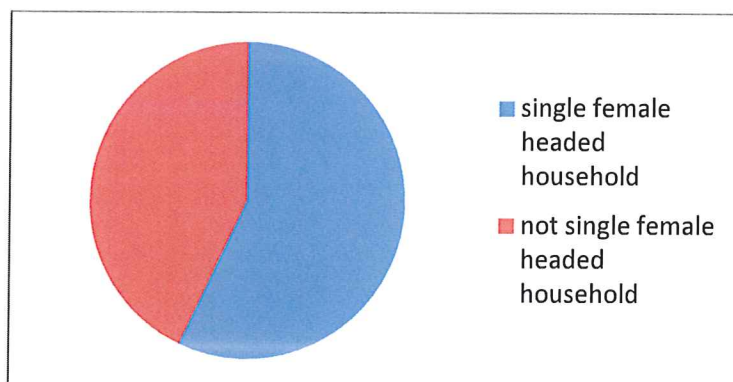
| <b>RACE</b>     |           |             |
|-----------------|-----------|-------------|
|                 | Units     | %           |
| White           | 58        | 61%         |
| Black           | 22        | 23%         |
| Asian           | 10        | 10%         |
| Hispanic        | 4         | 4%          |
| Native American | 2         | 2%          |
| <b>TOTAL</b>    | <b>96</b> | <b>100%</b> |



| <b>HOUSEHOLD SIZE</b> |           |             |
|-----------------------|-----------|-------------|
| No. in Household      | Units     | %           |
| 1 - 2                 | 42        | 44%         |
| 3 - 4                 | 32        | 33%         |
| 5 - 6                 | 15        | 16%         |
| 7 - 8                 | 3         | 3%          |
| 9 - 10                | 4         | 4%          |
| 11 - 12               | 0         | 0%          |
| <b>TOTAL</b>          | <b>96</b> | <b>100%</b> |



| <b>HOUSEHOLD TYPE</b>       |           |             |
|-----------------------------|-----------|-------------|
| Single female household     | 55        | 57%         |
| Not single female household | 41        | 43%         |
| <b>TOTAL</b>                | <b>96</b> | <b>100%</b> |



**East Side RLF Contract Status  
FY 2010-2011 Contract Status**

**As of 2-28-11**

**Contract Balances**

|                                |                  |  |
|--------------------------------|------------------|--|
| Program                        | \$183,224        |  |
| Administration                 | <u>\$13,126</u>  |  |
| <b>Total</b>                   | <b>\$196,350</b> |  |
| <br>Total Program Funds        | <br>\$183,224    |  |
|                                | <u>\$145,446</u> | 8 projects under construction, applications in process 6 |
| <b>Available Program Funds</b> | <b>\$37,778</b>  |  |

- Note 1** At the end of January, 2011, the RLF loan portfolio contained 88 loans with a principal balance of \$2,314,874. From March, 2011, through December, 2011, we expect to receive approximately \$150,000 in loan payments. These funds will also be used to make housing rehabilitation loans.
- Note 2** We will receive the FY 2011 CDBG allocation some time after July 1, 2011, in the amount of \$350,000 (\$280,000 program and \$70,000 administration and operations).
- Note 3** Other assets of the RLF, including accounts receivable, prepaid expenses and properties held for resale, totaled \$1,755,724 at the end of December 2010.

# MARGARET STREET

## DAYTON'S BLUFF NHS HOME IMPROVEMENT PROGRAM

BEFORE



AFTER



| Fund                | Amount   |
|---------------------|----------|
| DBNHS TB Deferred   | \$10,000 |
| RLF Lead Grant      | \$5,000  |
| MHFA State Deferred | \$20,000 |
| NHRP City Deferred  | \$35,000 |
| TOTAL               | \$70,000 |

Work Specs: All new siding on the house, new gutters and downspouts, new furnace, foundation tuck pointing, lead stabilization painting on some interior and porch walls, new windows, new water heater, insulation in attic, new storm doors, new entrance doors, and plumbing & electrical to code.

Dayton's Bluff NHS did a complete renovation of this 3 bedroom, 1 bath home. The disabled owner had recently lost his wife from health related illnesses, and he was on his own to care for a 9 month old, 7 yr old, 10 yr old, and a 16 yr old. Dayton's Bluff NHS was able to combine several other sources to make the renovation possible for this father. His once unusable enclosed porch is now the younger children's play area; and he no longer has to worry about lead poisoning. The insulation and new windows that were provided will reduce his energy costs savings for years to come.



# MINNEHAHA AVE E

## DAYTON'S BLUFF NHS HOME IMPROVEMENT PROGRAM

BEFORE



AFTER



| Fund                      | Amount   |
|---------------------------|----------|
| DBNHS Revolving Loan Fund | \$35,000 |
| NHRP City Deferred        | 35,000   |
| RLF Lead Grant            | \$5000   |
| TOTAL                     | \$75,000 |

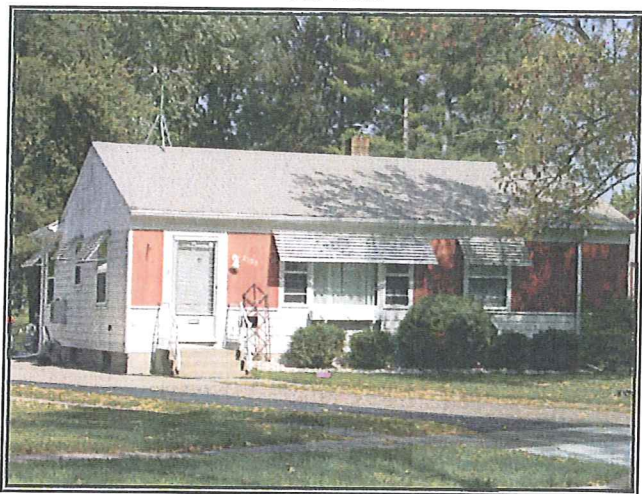
Work Specs: All new siding on the house, lead stabilization painting on some interior walls, all new windows & porch storm windows, enclosed porch, new gutters and downspouts, new storm doors, new front entrance door; new bathroom vanity, toilet, tub & shower; heating, plumbing & electrical to code.

This single mother of 9 needed more space for her growing children. The cramped 3 bedroom, 1 bath home needed repairs to the home including that the lead paint presented a hazard for the young children. Dayton's Bluff NHS stabilized the lead paint and was able to convert a den off the master bedroom into a fourth bedroom. The bathroom was enlarged to accommodate an large vanity and a tiled bath tub was installed. The enclosed porch allows for her children to play and keeps them safe from the bustling traffic.

# JESSAMINE AVE E

## DAYTON'S BLUFF NHS HOME IMPROVEMENT PROGRAM

BEFORE



AFTER



| Fund                      | Amount   |
|---------------------------|----------|
| DBNHS Revolving Loan Fund | \$20,000 |
| RLF Lead Grant            | \$5,000  |
| TOTAL                     | \$25,000 |
|                           |          |

Work Specs: All new siding on the house and garage, new gutters and downspouts, basement egress window, new toilet, new service panel, and plumbing & electrical to code.

The married couple of three young children hoped to create more space for when their children got older. What was a starter 2 bedroom home with lead paint present on the exterior, has transformed into a stunning 3 bedroom home. Dayton's Bluff NHS put in an egress window in the basement and has made sure all lead paint was stabilized, and lastly did minor repairs to the bathroom and mechanicals to code.